

## Message Text

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SUBJECT: UNIVERSAL HEALTH INSURANCE LAW STRAINS ALIGNMENT

SUMMARY: A PENDING UNIVERSAL HEALTH INSURANCE LAW IS CAUSING SERIOUS CONTROVERSY WITHIN THE GOVERNMENT ALIGNMENT. THE KEY ISSUES ARE WHETHER OR NOT TO DETACH HISTADRUT MEMBERSHIP FROM ITS HEALTH INSURANCE FUND ENROLLMENT, THE COLLECTION OF INSURANCE CONTRIBUTIONS BY THE GOVERNMENT, AND MORE EFFECTIVE JOINT USE OF GOVERNMENT AND HISTADRUT-PIPAT HOLIM MEDICAL FACILITIES. TWO ALIGNMENT PARTIES HAVE THREATENED TO VOTE AGAINST THE BILL BECAUSE IN ITS PRESENT FORM IT PERPETUATES COSTLY WASTE AND DUPLICATION. SINCE IMPLEMENTATION OF THE LAW HAS BEEN A MAJOR LABOR PARTY PLATFORM PROMISE, FAILURE TO DO SO WOULD CREATE NEW STRAINS WITHIN THE GOVERNMENT COALITION AND BETWEEN THE GOVERNMENT AND THE HISTADRUT. END SUMMARY.

1. SINCE ITS INCEPTION TWO YEARS AGO, THE RABIN GOVERNMENT HAS ASSIGNED HIGH PRIORITY TO THE INTRODUCTION OF A UNIVERSAL HEALTH INSURANCE SCHEME COVERING ALL MEDICAL RISKS AS PART OF ITS EFFORTS TO RATIONALIZE THE ISRAELI WAGE-TAX-SOCIAL INSURANCE SYSTEM. THE PRESENT HEALTH INSURANCE

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SYSTEM COVERS OVER 90 PERCENT OF THE POPULATION AND IS

UNDERWRITTEN BY FIVE INDEPENDENT FUNDS, OF WHICH THE HISTADRUT-LINKED KUPAT HOLIM IS BY FAR THE BIGGEST, SERVING 2.5 MILLION PERSONS OR 70 PERCENT OF THE POPULATION. UNDER THE NEW SCHEME THE EXISTING INSURANCE CARRIERS WOULD CONTINUE TO PROVIDE THE PROTECTION, WITH THE GOVERNMENT SUBSIDIZING THE DIFFERENCE IN COSTS BETWEEN THE OLD AND THE NEW LEVEL OF PROTECTION.

2. THE PROPOSED LEGISLATION INTRODUCING SEVERAL FAR-REACHING HEALTH INSURANCE REFORMS HAS PASSED ITS FIRST READING IN THE KNESSET, BUT HAS NOW RUN INTO INCREASING DIFFICULTIES AS VARIOUS PRESSURE GROUPS SEEK TO AMEND THE DRAFT LAW TO ASSURE THE DEFENSE OF THEIR RESPECTIVE POLITICAL AND ECONOMIC INTERESTS. TWO PARTIES AFFILIATED WITH THE GOVERNMENT COALITION AND CONTROLLING TOGETHER 14 SEATS (THE INDEPENDENT LIBERAL PARTY--4 SEATS AND THE NATIONAL RELIGIOUS PARTY--10 SEATS) HAVE DECIDED TO VOTE AGAINST THE BILL IN ITS PRESENT FORM, THEREBY THREATENING THE CONTINUATION OF THE GOVERNMENT COALITION.

3. THE PRIME MINISTER IS NOW TRYING TO OBTAIN A COMPROMISE OF THE PRINCIPAL CONTESTED ISSUES. THESE ARE THAT ALL COLLECTION OF HEALTH INSURANCE CONTRIBUTIONS BE TURNED OVER TO THE GOVERNMENT, THAT LINKAGE BETWEEN TRADE UNION MEMBERSHIP AND HEALTH INSURANCE FUNDS BE LIFTED, AND THAT DELIVERY OF MEDICAL SERVICES BE DETACHED FROM THE INSURANCE FUNCTION. IF NO COMPROMISE IS POSSIBLE, A REVIEW AND AMENDMENT OF THE LAW MAY HAVE TO WAIT UNTIL NEXT YEAR, SINCE THE GOVERNMENT IS NOT LIKELY TO RISK DEFEAT AND THE BREAK-UP OF ITS COALITION OVER THIS ISSUE.

4. THE REVOLT WITHIN THE ALIGNMENT IS COMPOUNDED BY CONCURRENT AND EQUALLY SHARP DIVISIONS IN ITS RANKS OVER A PROPOSED NEW LABOR DISPUTES LAW WHICH WOULD IMPOSE DISCIPLINARY PENALTIES ON CIVIL SERVANTS RESORTING TO WORK-TO-RULE SLOW DOWNS. THIS LEGISLATION HAS MAJORITY SUPPORT WITHIN THE ALIGNMENT AND THE OPPOSITION, BUT IS OPPOSED BY THE HISTADRUT AND MAPAM, BOTH OF WHICH WANT THIS PROBLEM TO BE SETTLED BY COLLECTIVE AGREEMENT RATHER THAN BY LAW.

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5. FURTHER LEGISLATIVE LOG ROLLING CAN BE EXPECTED, PARTICULARLY SINCE THE HISTADRUT NOT ONLY OPPOSES THE LABOR DISPUTES BILL, BUT REMAINS UNEASY OVER ANY UNIVERSAL HEALTH INSURANCE LAW WHICH THREATENS TO UNDERMINE THE HISTADRUT-KUPAT HOLIM MEMBERSHIP LINK AND THUS WEAKENS ITS TRADITIONAL ROLE AS THE PRINCIPAL SUPPLIER OF HEALTH AND OTHER SOCIAL SERVICES IN ISRAEL. AT THE SAME TIME

THE HISTADRUT FAVORS THAT PART OF THE NEW LEGISLATION WHICH WOULD SHIFT TO THE GOVERNMENT A GREATER SHARE OF RESPONSIBILITY FOR FILLING THE STEADILY INCREASING FINANCIAL DEFICIT OF KUPAT HOLIM.

6. AMONG THE VARIOUS TACTICAL PROPOSALS FOR BREAKING THE DEADLOCK, THE GOVERNMENT IS NOW (A) SEEKING TO PERSUADE THE NRP TO SUPPORT THE CURRENT BILL WITH MINOR AMENDMENTS IN RETURN FOR AS YET UNSPECIFIED COMPENSATIONS, THUS ISOLATING THE ILP; (B) OFFERING HISTADRUT A GRACE PERIOD OF TWO OR THREE YEARS BEFORE THE GOVERNMENT WILL TAKE OVER THE SEPARATE COLLECTION OF KUPAT HOLIM INSURANCE CONTRIBUTIONS (NOW COLLECTED AS PART OF UNION DUES); AND (C) PROPOSING TO NEGOTIATE WITH HISTADRUT AND KUPAT HOLIM, WHICH JOINTLY WITH THE GOVERNMENT CONTROL 90 PERCENT OF ISRAEL'S MEDICAL FACILITIES, THE QUESTION OF APPORTIONMENT OF COSTS SO THAT INSURED PERSONS WOULD HAVE A FREER CHOICE OF USING FACILITIES OF BOTH AND THUS INCREASING THEIR COST AND USE EFFICIENCY. UNDER NO CIRCUMSTANCES ARE HISTADRUT AND THE LABOR PARTY PREPARED TO ABANDON THE PRESENT MANDATORY LINK BETWEEN UNION MEMBERSHIP AND KUPAT HOLIM INSURANCE COVERAGE (ALTHOUGH INDIVIDUALS REMAIN FREE TO JOIN HISTADRUT TO OBTAIN KUPAT HOLIM PROTECTION). SHOULD THE NEGOTIATIONS FAIL, THE HEALTH INSURANCE LAW MAY BE SHELVED TO SAVE THE COALITION. HOWEVER, IN THIS CASE THE DELAY AND CONTROVERSY, WHICH LABOR CONSIDERS AS PRINCIPALLY AN ATTACK ON THE HISTADRUT, WOULD FURTHER STRAIN RELATIONS WITHIN THE GOVERNMENT ALIGNMENT AND POSSIBLY BETWEEN THE GOVERNMENT AND THE HISTADRUT. SINCE OTHER ECONOMIC CONTROVERSIES, SUCH AS THE EXTENT OF THE NEXT ROUND OF COST OF LIVING INCREASES IN OCTOBER, THE QUESTION OF VAT COLLECTION, AND PENDING ADJUSTMENTS OF PROFESSIONAL CIVIL SERVICE SALARIES ARE ALSO SMOLDERING BELOW THE LIMITED OFFICIAL USE

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SURFACE, THIS ISSUE COULD PRECIPITATE A NEW ROUND OF LABOR UNREST IN THE PUBLIC SERVICE.  
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